

## Message Text

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63

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02 SS-15

USIA-15 FEA-01 AEC-07 AID-05 CEA-01 CIEP-02 COME-00

EB-07 FPC-01 INT-05 OMB-01 SAM-01 OES-05 STR-04

TRSE-00 FRB-01 /109 W

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R 142010Z JAN 75

FM AMCONSUL VANCOUVER

TO SECSTATE WASHDC 1900

INFO AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: ENRG, PFOR, ETRD, CA

SUBJECT: BRITISH COLUMBIA PROPOSALS RAISE EXPORT PRICE

NATURAL GAS

INFLUENTIAL VANCOUVER NEWSPAPER QUOTE THE PROVINCE UNQTE,  
MAIN EDITORIAL JANUARY 14 QUOTED BELOW IN ITS ENTIRETY:

GAS BALLOON OR BARGAIN?

NOTWITHSTANDING PREMIER BARRETT S NEW THREAT TO TAKE  
THE PROVINCIAL GOVERNMENT DIRECTLY INTO THE NATURAL GAS  
EXPLORATION AND DEVELOPMENT BUSINESS IT SEEMS CLEAR HIS REAL  
PURPOSE IS TO ESTABLISH A BARGAINING POSITION FOR HIMSELF.

IN THAT CONTEXT OTTAWA S REPORTED COOL RECEPTION TO HIS  
LATEST PLAN TO RAISE GAS EXPORT PRICES IS NOT SURPRISING.  
IF NEGOTIATION IS TO BE THE ROOT PREMIER BARRETT HAD BETTER  
BE SURE THAT HE HAS A GOOD CASE TO MAKE.

BUT THERE S A LARGE QUESTION MARK OVER HIS STATED CASE. HE  
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SAID SATURDAY THAT THE DOLLARS 1.93 PER THOUSAND CUBIC FEET

HE HAS PROPOSED FOR THE AMERICANS IS THE SAME AS THE PRICE CHARGED FOR LOUISIANA GAS. B.C. HE SAID, SHOULD NOT SELL ITS GAS FOR LESS THAN THE AMERICANS THEMSELVES ARE PAYING FOR COMPETITIVE SUPPLIES.

THAT DOLLARS 1.93 FIGURE IS INTERESTING. IT HAPPENS TO BE THE PRICE PAID BY ONE INDUSTRIAL USER OF LOUISIANA GAS WHO WAS DESPERATE FOR SUPPLIES. BC'S CURRENT ONE DOLLAR PER THOUSAND PRICE IS ALREADY HIGHER THAN THE AVERAGE PRICE OF AMERICAN GAS IN THE PACIFIC NORTHWEST.

AMERICAN GAS IS PRICED UNDER A COMPLICATED SET OF RULES COVERING QUOTE OLD UNQUOTE GAS FROM ESTABLISHED WELLS AND QUOTE NEW UNQUOTE GAS FROM NEWLY-DISCOVERED RESOURCES. GAS THAT CROSSES STATE LINES IS CONTROLLED IN PRICE AND ONLY INTRA-STATE GAS PRODUCED AND SOLD WITHIN A STATE ESCAPES THOSE CONTROLS.

THAT DOLLARS 1.93 GAS IS INTRA-STATE GAS. OBVIOUSLY BC GAS SHOULD NOT BE SOLD TO THE AMERICANS FOR LESS THAN THE COST OF AMERICAN GAS. BUT THE QUESTION IS : WHAT IS THE COMPARATIVE PRICE? IS IT FAIR, INDEED IS IT GOOD BARGAINING TO COMPARE OUR PRICE WITH THAT OF A SINGLE CONTRACT IN THE U.S.?

OF COURSE, PREMIER BARRETT IS BARGAINING NOT ONLY WITH OTTAWA. HE IS, IN A POLITICAL SENSE, BARGAINING WITH THE BC MUNICIPALITIES WHICH ARE DESPERATELY IN NEED OF MORE FINANCIAL AID FROM VICTORIA.

HIS GAS PRICE INCREASE LOOKS LIKE A NEAT PLOY. THE DOLLARS ONE HUNDREDTEIGHTY MILLION HE HOPED TO RAISE FROM THE PRICE INCREASE WOULD BE DIVIDED EQUALLY AMONG THE FEDERAL, PROVINCIAL AND MUNICIPAL GOVERNMENTS. A SHARE OF DOLLARS SIX ZERO MILLION TO THE MUNICIPALITIES WOULD LOOK LIKE A WINDFALL OF ENORMOUS PROPORTIONS TO THE HARD-PRESSED LOCAL COE COUNCILS SINCE IT WOULD WORK OUT AT AN INCREASE IN THE PER CAPITA GRANT OF ROUGHLY DOLLARS 39. NO WONDER MAYOR ART PHILLIPS OF UNCLASSIFIED

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VANCOUVER RUBS HIS HANDS WITH GLEE. HE HAS ASKED FOR A RAISE OF ONLY DOLLARS 8.

BUT IF HIS SCHEME DOESN'T COME OFF, WHAT IS PREMIER BARRETT GOING TO DO TO HELP THE MUNICIPALITIES? HE MUST BRING IN A BUDGET BY THE END OF FEBRUARY, WHICH DOESN'T GIVE HIM MUCH TIME TO NEGOTIATE A GAS DEAL WITH OTTAWA, PARTICULARLY ONE THAT'S FRINGED WITH SUCH

UNCERTAINTY. THE MUNICIPALITIES WOULD BE WISE TO  
REMAIN COOL TO HIS IDEA AT LEAST FOR A WHILE. THEY  
WOULD CERTAINLY BE UNWISE TO GET THEIR HOPES UP TOO  
SOON.  
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